

a small, but very important, piece of the puzzle of solving the problem of the subprime crisis and making sure that it doesn't occur again in the future.

Mr. BACHUS. Mr. Chairman, I yield 3 minutes to the gentleman from North Carolina (Mr. MCHENRY) to speak in opposition to the bill.

Mr. MCHENRY. I thank the ranking member for yielding time, and I appreciate his leadership and friendship on the committee. He has worked very hard on this issue, as has the whole committee. But we have come to different conclusions on this.

I think there are some admirable parts of this legislation. In particular, the addition that the ranking member was able to make in consultation with the chairman on licensing of mortgage brokers. I think that is helpful and positive and makes consumers more aware of people they are dealing with.

I also believe the Green-McHenry-Neugebauer amendment that we were able to put in place in the committee is very help to the marketplace. It gives borrowers more understanding of the financial product they are about to take part in, the financial transaction they are about to take part of in. I think informed consumers are better off than uninformed consumers. Financial literacy is key; and, therefore, the process of counseling which is within this bill is helpful.

But in the end, this is about homeownership. It is about the opportunity for families to get a home of their choosing. It is about families making a financial decision for themselves, not Washington, D.C. telling them what products they can and cannot get. Unfortunately, that is what this bill does.

This bill will limit homeownership and limit the opportunities that families have by limiting the mortgage choices in the private sector and in the marketplace.

Furthermore, it does nothing to fix the current crisis we are in. Let me repeat that: this bill will do nothing to fix the current mortgage crisis we are facing. In fact, rather, it will deepen the crisis we are facing by limiting people's opportunities to refinance or finance their home.

Let me give you a couple of examples. This bill I believe will encourage more litigation and have a chilling effect on the secondary markets. Therefore, less money will be available for people to get mortgages.

Second, it will limit the loan terms available. In fact, it limits the ability for people to finance the points and fees and closing costs of many mortgage products and bans prepayment penalties.

So, in essence, if somebody currently has a prepayment penalty in their mortgage that they have and they seek refinancing, they will be unable to finance that prepayment penalty that they currently have, thereby locking them into a cycle of debt and foreclosure.

I believe this bill is harmful to long-term homeownership in America that

is at an all-time high. I think what we should be doing is encouraging homeownership in this country and making more opportunities available to get the credit that they need in order to get a home for their families.

So I oppose this bill on very simple grounds: that it will limit homeownership and limit the opportunities and options that Americans have. With that, I encourage my colleagues to vote "no" on this bill and help homeownership in America.

Mr. FRANK of Massachusetts. Mr. Chairman, I now yield to a man who is going to have a lot of free time after today because much of his life in the last year has been helping put this bill together in a very masterful way, the gentleman from North Carolina (Mr. MILLER), for 4 minutes.

Mr. MILLER of North Carolina. I dearly wish that this bill was the one being described by so many people on the other side of the aisle. That sounds like a really tough bill. And this bill, I hope, will become tougher as we go along.

I agree with many over there who said that they support the idea of homeownership and want to make sure that there is a mortgage market that lets people buy homes.

Mr. Chairman, the mortgages we are talking about have nothing to do with homeownership. According to the mortgage bankers themselves, who oppose this bill, 72 percent of subprime loans are refinances, not purchase money mortgages. And only about one in 10 subprime loans is to buy a first home. Lehman Brothers says that 30 percent of the subprime loans entered last year will result in final foreclosure, a family being turned out on the streets by a sheriff because their home was sold at a foreclosure auction at the steps of the courthouse.

Do the math. One subprime loan in 10 helps people buy a home, a first home, get into homeownership. Thirty percent will result in foreclosure. The loans that we need to get at, we need to prohibit, are costing Americans homeownership, not helping with homeownership.

Now, several speakers have said that they think the consumers should make choices, there should be a variety of choices available to consumers. Sometimes they say this bill will shut down market innovation. Well, Americans are for innovation, Mr. Chairman, just as they are for reform. Americans are fundamentally reformers so politicians have figured out to call everything they do a "reform," however obviously contrary to the public interest it is. And now American business has learned to call everything they do an "innovation," regardless of how bad it hurts consumers.

I can think of many wonderful innovations. When we think of an innovation, we think of a scientist in a lab coat coming up with new products.

Mr. Chairman, I am now the age my father was when he died of a heart at-

tack in 1965. There wasn't a thing we could do to help people with heart disease in 1965. But I am on a cholesterol medicine because I inherited from my father high cholesterol that I hope will allow me to outlive my father. I think that drug is an important innovation, and I am glad we made that innovation.

Mr. Chairman, this necktie is an innovation. Ten years ago, you could not buy a silk necktie that was stain resistant. And for those folks like me who tend to miss their mouth from time to time, the cost in new neckties in any given year was hundreds of dollars. But this tie has a nanotechnology process that causes liquids to bead up and roll off rather than soak in and stain. This necktie is an important innovation to me.

But what on Earth do we mean when we say that a mortgage is innovative? It means simply that there is no end to the variety of terms, there is a proliferation of indecipherable terms that are not designed to help consumers.

Alan Greenspan called them "exotic loans." Others have called them "toxic loans." The innovation is not really about allowing consumers to tailor narrowly the loan they get to their specific circumstances. The late Ned Gramlich, a well-regarded former Federal Reserve Board governor, asked why was it that the riskiest loans were being sold to the least sophisticated consumers. It was a rhetorical question. He knew the answer. He knew those loans were being sold to people to take advantage of them, to separate from middle-class homeowners more and more of the equity in their home, to trap them in a cycle of having to borrow and borrow again, and every time they borrowed, losing more of the equity in their homes.

Some of the other speakers have talked about the importance of refinancing out. Mr. Chairman, a mortgage system where people have to borrow money to pay off the mortgage they are in now is not a mortgage system that works.

Mr. BACHUS. Mr. Chairman, at this time I recognize the gentlewoman from West Virginia (Mrs. CAPITO) for 3 minutes.

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Mrs. CAPITO. I would like to thank the gentleman from Alabama for recognizing me and yielding me the time, and I greatly appreciate the leadership of the chairman and ranking member on the Committee of Financial Services for bringing this important legislation before the House today.

The legislation before us is a bipartisan response to a problem that is affecting every congressional district across this Nation, the rising number of foreclosures and a large number of impending alternative mortgage resets, combined with a large number of delinquencies in mortgage payments. It is very important for Members to look at this legislation in its entirety.